GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:486
ANSWERED ON:25.11.2005
INFLATION RATE
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Will the Minister of FINANCE be pleased to state:

(a) Whether the Reserve Bank of India have anticipated the inflation rate of 5 to 5.5 per cent in the year of 2005-2006;

(b) if so, whether the RBI have expressed its concern about the above mentioned inflation rate;

(c) if so, whether the Government have fixed targets to bring down the inflation rate;

(d) if so, the details thereof; and

(e) the steps taken so far to achieve the above targets?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM)

(a) and (b): In the Mid-Term Review of Annual Policy Statement for the Year 2005-06 announced on October 25, 2005, the Reserve Bank of India has indicated that `the full effects of the pass-through of the increase in international oil prices have so far been dulled and the underlying inflationary pressures have been contained. Crude prices continue to remain the most critical factor in the outlook on domestic inflation. In the remaining part of the year, inflation conditions will warrant continuous vigil in view of the heightened uncertainties surrounding international crude prices and the eventual pressures for fuller pass-through into domestic inflation.` The RBI has further indicated that `given the outlook for inflation primarily in the context of the oil economy in India, however, it may be difficult to contain the inflation in the range of 5.0-5.5 per cent projected earlier without an appropriate policy response.`

(c), (d) and (e) : The Government does not have separate target for the rate of inflation. Anti-inflationary policies of the government include strict fiscal and monetary discipline, rationalisation of excise and import duties of essential commodities so that there is no undue burden on the poor, effective supply-demand management of sensitive items through liberal tariff and trade policies, and strengthening of the public distribution system.